



BIRCH RURAL FIRE DEPARTMENT

FINANCIAL STATEMENTS

For the year ended June 30, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name BIRCH Rural Fire Department	County Barry
Audit Date 6/30/04	Opinion Date 12/7/04	Date Accountant Report Submitted to State: 1/31/05	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Walker, Fluke & Sheldon, PLC			
Street Address 525 W Apple St	City Hastings	State MI	ZIP 49058
Accountant Signature <i>Walker, Fluke & Sheldon, PLC Katherine K Sheldon, CPA</i>		Date 1/31/05	

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WALKER, FLUKE & SHELDON, PLC
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
BIRCH Rural Fire Department
Barry County, Michigan

We have audited the accompanying basic financial statements of BIRCH Rural Fire Department, Barry County, Michigan, as of June 30, 2004 and for the year then ended, as listed in the table of contents. These basic financial statements are the responsibility of BIRCH Rural Fire Department's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of BIRCH Rural Fire Department, as of June 30, 2004, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in the Notes, the Fire Department adopted Governmental Accounting Standards Board Statement Number 34 during the current year. As a result, these financial statements present entirely new financial information. Governmental activities report information by individually significant fund, as well as in total on the full accrual basis of accounting.

The required supplementary information listed in the table of contents are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The management discussion and analysis included in the financial section of the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of BIRCH Rural Fire Department, Barry County, Michigan. We did not examine this data and, accordingly, do not express an opinion thereon.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying additional supplementary information listed in the table of contents is presented for the purpose of additional analysis and is not a required part of the basic financial statements of BIRCH Rural Fire Department. This information has been subjected to the procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

Hastings, Michigan
December 7, 2004

Walker, Fluke & Sheldon, PLC

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Birch Rural Fire Department, Michigan, we offer readers of the Fire Department's financial statements this narrative overview and analysis of the financial activities of the Fire Department for the fiscal year ended June 30, 2004. This being the initial year of adoption, comparative information is not presented. The analysis focuses on significant financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the Fire Department. Please consider the information presented here in conjunction with the Fire Department's financial statements.

The basic financial statements include information that presents two different views of the Fire Department:

- The first column of the financial statements includes information on the Fire Department's General Fund under the modified accrual method. These Fund Financial Statements focus on current financial resources and provide a more detailed view about the accountability of the Fire Department's sources and uses of funds.
- The adjustment column of the financial statements represents adjustments necessary to convert the fund financial statements to the government-wide financial statements under the full accrual method.
- The government wide financial statement columns provide both long-term and short-term information about the Fire Department's overall financial status. The statement of net assets and the statement of activities provide information about the activities of the Fire Department as a whole and present a longer-term view of the Fire Department's finances. These statements tell how these services were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

CONDENSED FINANCIAL INFORMATION

The table below reports key financial information in a condensed format:

Current Assets	\$ 168,348
Capital Assets	<u>368,864</u>
Total Assets	<u>537,212</u>
Liabilities	<u>-</u>
Net Assets	
Invested in Capital Assets, Net of Debt	368,864
Restricted	-
Unrestricted	<u>168,348</u>
Total Net Assets	<u>\$ 537,212</u>
Revenue	
Charges for Services	\$ 315,820
Interest and Rentals	<u>2,908</u>
Total Revenue	318,728
Expenses - Public Safety	<u>349,176</u>
Change in Net Assets	<u>\$ (30,448)</u>

The Fire Department as a Whole

The Fire Department's primary source of revenue is from charges for fire services, which represent 99 percent of total revenue.

City of Hastings operating costs continue to be the most significant expense of the Fire Department, representing 97 percent of the Fire Department's total expenses.

The Fire Department's Fund

Our analysis of the Fire Department's major fund is included on pages 4 and 5 in the first column of the respective statements. The fund column provides detailed information about the most significant fund, not the Fire Department as a whole. The Fire Department Board has the ability to create separate funds to help manage money for specific purposes, and to maintain accountability for certain activities, such as special property tax millages. The Fire Department's major fund consists solely of the General Fund.

The fund balance of the General Fund decreased during the current year by \$6,385. The slight decrease was due to operating costs up from expectations and from capital outlay purchases.

Fire Department Budgetary Highlights

Over the course of the year, the Fire Department did not amend the original budget. The Fire Department over expended the budget in two areas, operating costs and capital outlay. In the future, the Fire Department will monitor the budget more closely and make adjustments as necessary.

Capital Assets

At the end of the fiscal year, the Fire Department had \$368,864 invested in capital assets. The Fire Department added \$7,366 in new capital assets during the current year. The Fire Department did not dispose of any capital assets during the current year.

Economic Factors and Next Year's Budgets and Rates

BIRCH Rural Fire Department believes revenue will be up slightly during next year, due to the fact BIRCH Rural Fire Department's territory has expanded. They will provide fire protection to part of Irving Township. Revenue from this will be split 50/50 with the City of Hastings. Most the Fire Department's revenue comes from Townships, expected decreases in 2004-2005 state shared revenues may have an indirect effect on BIRCH Rural Fire Department. If Townships receive less state shared revenue, they will have less to spend and may spend less on fire protection. Other Townships depend on a fire millage for fire protection and if a fire millage does not pass, revenues could go down. BIRCH Rural Fire Department feels expenses will be up slightly during the next year due to inflation and the cost of fuel increasing.

Contacting the Fire Department's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Fire Department's finances and to show the Fire Department's accountability for the money it receives. If you have any questions about this report or need additional information, we welcome you to contact Jim Brown at 855 River Rd, Hastings, MI 49058. (269) 948-9690

**BIRCH RURAL FIRE DEPARTMENT
GOVERNMENTAL FUND BALANCE SHEET -
STATEMENT OF NET ASSETS
June 30, 2004**

	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
ASSETS			
Cash and Cash Equivalents	\$ 49,012	\$ -	\$ 49,012
Investments	119,336	-	119,336
Capital Assets	-	368,864	368,864
Total Assets	\$ 168,348	\$ 368,864	537,212
LIABILITIES			
Accounts Payable	\$ -	\$ -	-
Total Liabilities	-	-	-
FUND BALANCE / NET ASSETS			
Fund Balances			
Unreserved-Undesignated	168,348	(168,348)	-
Designated	-	-	-
Total Fund Balance	168,348	(168,348)	-
Total Liabilities and Fund Balance	\$ 168,348		
Net Assets			
Invested in Capital Assets-Net of Related Debt		368,864	368,864
Restricted		-	-
Unrestricted		168,348	168,348
Total Net Assets		\$ 537,212	\$ 537,212

The Notes to Financial Statements are an integral part of this statement.

BIRCH RURAL FIRE DEPARTMENT
STATEMENT OF GOVERNMENTAL REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE - STATEMENT OF ACTIVITIES
Year Ended June 30, 2004

	General Fund Modified Accrual Basis	Adjustments (See Notes)	Statement of Net Assets
Revenue			
Charges for Services	\$ 315,820	\$ -	\$ 315,820
Interest and Rentals	<u>2,908</u>	<u>-</u>	<u>2,908</u>
Total Revenue	<u>318,728</u>	<u>-</u>	<u>318,728</u>
Expenditures			
Current:			
Public Safety:			
Audit Fees	1,445	-	1,445
Operating Costs-City of Hastings	316,302	-	316,302
Capital Outlay	7,366	(7,366)	-
Depreciation	<u>-</u>	<u>31,429</u>	<u>31,429</u>
Total Expenditures	<u>325,113</u>	<u>24,063</u>	<u>349,176</u>
Excess of Revenue Over (Under)			
Expenditures / Change in Net Assets	(6,385)	(24,063)	(30,448)
Fund Balance/Net Assets - Beginning of Year	<u>174,733</u>	<u>392,927</u>	<u>567,660</u>
Fund Balance/Net Assets - End of Year	<u>\$ 168,348</u>	<u>\$ 368,864</u>	<u>\$ 537,212</u>

The Notes to Financial Statements are an integral part of this statement.

**BIRCH RURAL FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the BIRCH Rural Fire Department conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the BIRCH Rural Fire Department:

In June 1999, the GASB issued Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments. Certain significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD&A) section providing an analysis of the Fire Department's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the Fire Department's activities

These and other changes are reflected in the accompanying financial statements (including notes to the financial statements).

REPORTING ENTITY

BIRCH Rural Fire Department was organized in 1979 by the Townships of Baltimore, Carlton, Hastings, Irving and Rutland to provide fire protection to the residents and property owners. BIRCH Rural Fire Department serves 100% of Baltimore, Hastings and Rutland Townships, approximately 56% of Carlton Township and 25% of Irving Township. BIRCH Rural Fire Department receives its revenues from dues based on the taxable value of property located in the Townships. BIRCH Rural Fire Department has entered into an agreement with the City of Hastings whereby the City houses and operates the BIRCH equipment. For this BIRCH Rural Fire Department agrees to pay the City of Hastings a percentage of the operating expenditures of the City Fire Department.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds).

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of net assets includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Fire Department's net assets are reported in three parts: invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses have a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Revenues are primarily derived from charges for services and interest and rentals to provide for the administration and operation of: (1) general BIRCH Rural Fire Department governmental departments, boards and commissions; and (2) fire protection.

**BIRCH RURAL FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Department considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Fire Department reports the following major governmental funds:

- The General Fund is the Fire Department's primary operating fund. It accounts for all financial resources of the Fire Department, except those required to be accounted for in another fund.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

Capital Assets - Capital assets are defined by the Fire Department as assets with an initial cost of \$500 or more. Such assets are recorded at historical cost or estimated historical cost. Donated assets are reported at estimated fair market value at the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Land Improvements	20 years
Buildings	40 years
Furniture	10 years
Heavy Equipment	20 years
Fire Equipment	7 years
Other Equipment	7 years
Data Processing Equipment	5 years

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

BUDGETS, BUDGETARY ACCOUNTING AND BUDGET BASIS OF ACCOUNTING

Budgets are adopted for all governmental fund types, as required by law. Budgets for the general fund are adopted at the line item level and reported in the budgetary comparison schedule at this level. The Fire Department uses the same basis of accounting for budgeting purposes as for financial statement presentation.

**BIRCH RURAL FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

ENCUMBRANCE ACCOUNTING

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by BIRCH Rural Fire Department.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

During the year ended June 30, 2004, the Fire Department incurred expenditures in certain budgetary funds, which were in excess of the amounts appropriated, as follows:

<u>FUND</u>	<u>TOTAL APPROPRIATIONS</u>	<u>AMOUNT OF EXPENDITURES</u>	<u>BUDGET VARIANCE</u>
General			
Public Safety:			
Operating Costs	\$ 312,684	\$ 316,302	\$ 3,618
Capital Outlay	-	\$ 7,366	\$ 7,366

DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91, authorizes the Fire Department to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Fire Department has designated one bank and one federal savings bank for the deposit of BIRCH Fire Department Funds.

The Fire Department's deposits and investments are in accordance with statutory authority.

**BIRCH RURAL FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2004**

DEPOSITS AND INVESTMENTS (Continued)

The Governmental Accounting Standards Board (GASB) Statement No. 3 risk disclosures for BIRCH Rural Fire Department's cash deposits are as follows:

<u>DEPOSIT</u>	<u>CARRYING AMOUNT</u>	<u>BANK BALANCE</u>
Insured (FDIC)	\$ 149,012	\$ 149,012
Uninsured	<u>19,336</u>	<u>19,336</u>
Total Deposits	<u>\$ 168,348</u>	<u>\$ 168,348</u>
Cash and Cash Equivalents	\$ 49,012	\$ 49,012
Investments in Certificated of Deposit with a Maturity greater Than Three Months	<u>119,336</u>	<u>119,336</u>
Total Deposits	<u>\$ 168,348</u>	<u>\$ 168,348</u>

CAPITAL ASSETS

Capital asset activity for the current year was as follows:

	<u>BALANCE 06/30/03</u>	<u>ADDITIONS</u>	<u>RETIRE- MENTS</u>	<u>BALANCE 06/30/04</u>
Capital Assets Being Depreciated				
Equipment	\$ 645,756	\$ 7,366	\$ -	\$ 653,122
Subtotal	645,756	7,366	-	653,122
Less: Accumulated Depreciation	<u>252,829</u>	<u>31,429</u>	<u>-</u>	<u>284,258</u>
Capital Assets-Net of Depreciation	<u>\$ 392,927</u>	<u>\$ (24,063)</u>	<u>\$ -</u>	<u>\$ 368,864</u>

Depreciation expense was charged to programs as follows:

Governmental Activities:	
Public Safety	\$ 31,429
Total Governmental Activities	<u>\$ 31,429</u>

COMMITMENTS

In the year ended June 30, 1999, Birch Rural Fire Department entered into an agreement with the Hastings Fire Department to provide \$100,000 for the purchase of a highboy. Birch will pay Hastings Fire Department at the rate of \$10,000 per year, for ten years. As of June 30, 2004, Birch Fire Department has paid \$50,000, leaving \$50,000 in future payments to make. These payments are included in the Operating Costs amount in the Statement of Governmental Revenue, Expenditures, and Changes in Fund Balance - Statement of Activities.

BIRCH RURAL FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
June 30, 2004

RISK MANAGEMENT

The Fire Department is exposed to various risks of loss related to property loss, torts, errors and omissions. The Fire Department's insurance for general liability, excess liability, auto liability, trunk-line liability, errors and omissions, and physical damage (equipment, buildings and contents) is provided by the City of Hastings through an insurance company. Settled claims have not exceeded the amount of insurance coverage in any of the past three years.

RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Total fund balance and the net change in fund balance of the Fire Department's governmental fund differs from net assets and changes in net assets of the governmental activities reported in the statement of net assets and statement of activities. This difference primarily results from the long-term focus of the statement of net assets and statement of activities versus the current financial resources focus of the governmental fund balance sheet and statement of revenue, expenditures, and change in fund balance.

The following is a reconciliation of fund balance to net assets:

Total Fund Balance - Modified Accrual Basis	\$ 168,348
Amounts reported in the statement of net assets are different because:	
Capital assets are not financial resources, and are not reported in the funds	<u>368,864</u>
Net Assets of General Fund - Full Accrual Basis	<u>\$ 537,212</u>

The following is a reconciliation of the net change in fund balance to the net change in net assets:

Net Change in Fund Balances - Modified Accrual Basis	\$ (6,385)
Amounts reported in the statement of net activities are different because:	
Capital outlays are reported as expenditures in the statement of revenue, expenditures, and changes in fund balance; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	
Depreciation	(31,429)
Capital Outlay	<u>7,366</u>
Change in Net Assets of General Fund - Full Accrual Basis	<u>\$ (30,448)</u>

BIRCH RURAL FIRE DEPARTMENT
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
Year Ended June 30, 2004

	<u>Original Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue				
Charges for Services	\$ 315,820	\$ 315,820	\$ 315,820	\$ -
Interest and Rentals	<u>-</u>	<u>-</u>	<u>2,908</u>	<u>2,908</u>
Total Revenue	<u>315,820</u>	<u>315,820</u>	<u>318,728</u>	<u>2,908</u>
Expenditures				
Current:				
Public Safety:				
Audit Fees	3,136	3,136	1,445	1,691
Operating Costs-City of Hastings	312,684	312,684	316,302	(3,618)
Capital Outlay	<u>-</u>	<u>-</u>	<u>7,366</u>	<u>(7,366)</u>
Total Expenditures	<u>315,820</u>	<u>315,820</u>	<u>325,113</u>	<u>(9,293)</u>
Excess of Revenue Over Expenditures	-	-	(6,385)	(6,385)
Fund Balance - Beginning of Year	<u>174,733</u>	<u>174,733</u>	<u>174,733</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 174,733</u>	<u>\$ 174,733</u>	<u>\$ 168,348</u>	<u>\$ (6,385)</u>

BIRCH RURAL FIRE DEPARTMENT
SCHEDULE OF EQUITY INTEREST IN FIXED ASSETS
For the Year Ended June 30, 2004

FIXED ASSETS	DATE		BALTIMORE	IRVING	RUTLAND	CARLTON	HASTINGS	TOTAL
	PURCHASED							
Mobile Radio Unit	Mar-81							
		\$ Share	144	63	391	112	225	935
		% Share	15.37%	6.69%	41.86%	11.95%	24.13%	100.00%
Generators - 2	Jan-85							
		\$ Share	370	72	650	276	495	1,863
		% Share	19.85%	3.89%	34.89%	14.84%	26.53%	100.00%
Tanker Truck - 1986	Aug-86							
		\$ Share	12,383	3,284	24,625	8,803	18,205	67,300
		% Share	18.40%	4.88%	36.59%	13.08%	27.05%	100.00%
Radio	Dec-88							
		\$ Share	100	43	271	77	157	648
		% Share	15.37%	6.69%	41.86%	11.95%	24.13%	100.00%
Ford F-150 w/Slide-in Unit	Nov-89							
		\$ Share	5,294	1,210	10,196	3,676	7,559	27,935
		% Share	18.95%	4.33%	36.50%	13.16%	27.06%	100.00%
Portable Pump	Jan-90							
		\$ Share	594	121	1,146	408	868	3,137
		% Share	18.95%	3.85%	36.52%	13.01%	27.67%	100.00%
Mobile Radio & Control	Dec-92							
		\$ Share	85	37	232	66	134	554
		% Share	15.37%	6.69%	41.86%	11.95%	24.13%	100.00%

BIRCH RURAL FIRE DEPARTMENT
SCHEDULE OF EQUITY INTEREST IN FIXED ASSETS
For the Year Ended June 30, 2004

FIXED ASSETS	DATE		BALTIMORE	IRVING	RUTLAND	CARLTON	HASTINGS	TOTAL
	PURCHASED							
GPM 1992 Pumper & Equip	Jan-93							
\$ Share		33,152	8,101	75,683	25,739	53,956	196,631	
% Share		16.86%	4.12%	38.49%	13.09%	27.44%	100.00%	
Storage Cupboards	Dec-93							
\$ Share		77	33	209	60	121	500	
% Share		15.37%	6.69%	41.86%	11.95%	24.13%	100.00%	
GE MDX Mobile Radio	Oct-96							
\$ Share		107	46	291	83	168	695	
% Share		15.37%	6.69%	41.86%	11.95%	24.13%	100.00%	
1997 IHC 4900 4X2 Fire Truck	Dec-96							
\$ Share		19,747	5,739	49,016	16,577	34,218	125,297	
% Share		15.76%	4.58%	39.12%	13.23%	27.31%	100.00%	
200 Gallon Poly Tank	Jun-99							
\$ Share		388	145	1,019	320	682	2,554	
% Share		15.18%	5.66%	39.91%	12.53%	26.72%	100.00%	
4 Pioneer Scuba Tanks	Apr-99							
\$ Share		1,523	568	4,005	1,257	2,681	10,034	
% Share		15.18%	5.66%	39.91%	12.53%	26.72%	100.00%	
1997 FL70 Freightliner w/equip	Nov-00							
\$ Share		24,684	10,523	71,145	21,267	42,381	170,000	
% Share		14.52%	6.19%	41.85%	12.51%	24.93%	100.00%	

BIRCH RURAL FIRE DEPARTMENT
SCHEDULE OF EQUITY INTEREST IN FIXED ASSETS
For the Year Ended June 30, 2004

<u>FIXED ASSETS</u>	<u>DATE PURCHASED</u>	<u>BALTIMORE</u>	<u>IRVING</u>	<u>RUTLAND</u>	<u>CARLTON</u>	<u>HASTINGS</u>	<u>TOTAL</u>
Chevy 3/4 Ton Truck	Jun-02						
\$ Share		4,132	1,650	10,964	3,239	6,453	26,438
% Share		15.63%	6.24%	41.47%	12.25%	24.41%	100.00%
Drop-In Unit from Wolverine	Jul-02						
\$ Share		1,745	737	4,610	1,405	2,738	11,235
% Share		15.53%	6.56%	41.03%	12.51%	24.37%	100.00%
Equipment	Aug-03						
\$ Share		698	304	1,901	543	1,095	4,541
% Share		15.37%	6.69%	41.86%	11.95%	24.13%	100.00%
V Series Foam Sytems w/Tank	Jun-04						
\$ Share		434	189	1,183	338	681	2,825
% Share		15.37%	6.69%	41.86%	11.95%	24.13%	100.00%
Total Fixed Assets							
Total \$ Share		\$ 105,657	\$ 32,865	\$ 257,537	\$ 84,246	\$ 172,817	\$ 653,122
Total % Share		16.18%	5.03%	39.43%	12.90%	26.46%	100.00%



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December 7, 2004

To the Fire Department Board
Birch Rural Fire Department
Barry County, Michigan

We have recently completed an audit of the financial statements of Birch Rural Fire Department, Barry County, Michigan for the year ended June 30, 2004. During the course of the audit, the following items came to our attention, which require further comment.

Budgets Should Be Reviewed on a Periodic Basis

P.A. 621 of 1978, Section 17, provides that a local unit should amend the expenditures budget when it appears that the budgeted revenues plus available fund balance will be less than anticipated expenditures. In addition, Section 18 provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended June 30, 2004, the Fire Department over expended the budget in two areas. The Fire Department should monitor the budget and make amendments as necessary. In addition, consideration should be taken at year-end for any known audit adjustments that may arise.

We would like to take this opportunity to thank the Birch Rural Fire Department Treasurer for the cooperation and courtesy extended to us during the audit. If you have any questions or need assistance, do not hesitate to contact us.

Walker, Fluke & Sheldon, PLC